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ABSTRACT

This self-instructional module on improving profits through effective management is the seventh in a set of twelve modules designed for small business owner-managers. Competencies for this module are (1) apply planning and organizing skills in the operation of a business and (2) implement effective time management practices. Provided are information sections on the four basic elements of management, two learning activities (time management checklist and development of a simple management plan), two pamphlets from the Small Business Administration ("Breaking the Barriers to Small Business Planning" and "Delegating Work and Responsibility"), and a script from a cassette tape designed for use with this module. (The final report of this project is available as CE 017 858.) (JH)

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PURPOSE

The success or failure of small business enterprises usually rests on the owner-manager's shoulders. Because his/her duties include all aspects of a business operation, the ability to manage business affairs is critical to small business survival. The purpose of this module is to illustrate how effective management practices can save time and increase your profits. Tips on how to plan and organize your work will be provided.

COMPETENCIES

Upon completion of this module you will be able to:

1. Apply planning and organizing skills in the operation of your business.

2. Implement effective time management practices.

INSTRUCTIONS

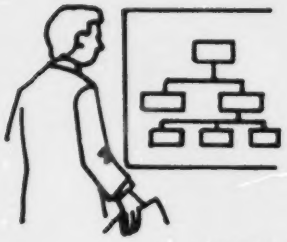
Before reading the material which begins on page 2, listen to the cassette entitled "Improving Profits Through Effective Management."

MANAGEMENT -- WHAT IS IT REALLY?

Management skills are necessary in a variety of settings. At home someone (usually Mom or Dad) assumes the management of the household. In school, the teacher manages the classroom while the principal assumes responsibility for the building and staff. Among groups and organizations, one person is either elected to, or assumes, the responsibility to insure that certain goals are met. What is management? Management is the leadership which directs people and resources toward the attainment of goals or objectives. As a small business owner-manager, you are "management."

Your most important responsibility as owner-manager is to insure survival of the business. You hope to make a profit and achieve personal satisfaction.

Sound business management involves a four point process:



1. Planning
2. Organizing
3. Directing
4. Controlling

THE MANAGEMENT PROCESS IN ACTION

Planning is the process of setting reasonable goals or objectives and then determining the manner in which these goals can be reached. In other words, what do you want to accomplish and how are you going to do it? Planning gives meaning and direction to your business operation. Let's examine how one small business owner-manager used the management process to increase profits.

Paul Wright's TV Service has been in operation about one year. Business has improved slowly, but Paul is not earning the amount of income he anticipated. The service area of his shop could easily handle a 30 to 40 percent increase in business. He decided to make things happen by implementing the four basic elements of management.

Step I: Set a reasonable objective. Paul decided to increase the revenue from sales and service by 15 percent during the next six months. He wanted to achieve this goal without a corresponding increase in operating expenses. This decision is part of the "planning" phase of management.

Step II: Fashion a plan to meet your objectives. Paul considered many different ways to increase business and finally came up with a specific idea. He decided that both he and his employees would contact the owners of several nearby motels and solicit

their TV repair business. He set a goal of contacting two motels each week.

Goal setting is an important initial step in the "planning" phase of management. Once a goal had been set, Paul began the process of "organizing" people and activities in a manner which insured that the goal could be achieved. In organizing his work, Paul asked himself three questions:

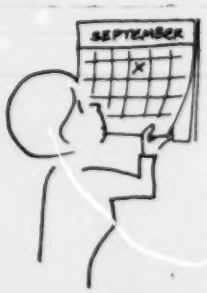
1. Are there tasks which only I can perform?
2. Are there tasks which my employees can perform with my help?
3. Are there tasks which employees can perform on their own?

Step III. Directing and motivating employees. To increase the probability that his goal would be achieved, Paul followed three very important practices. He:

1. Involved his employees in decision-making. The goal of increasing revenue from sales and service by 15% was established after consulting with employees in the shop.
2. Made certain his instructions were clear and complete.
3. Gave praise and recognition when due.

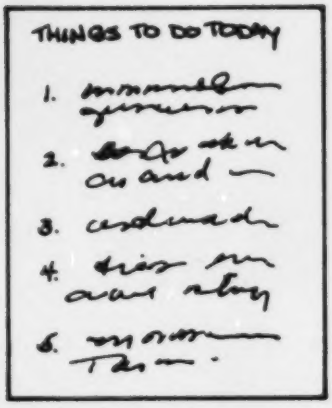
Step IV. Review progress toward established goals. With the aid of accurate records, Paul was able to review progress toward his established goal. As he was reviewing his progress, he sought answers to certain questions: What kind of performance did I get from my employees? What were my results? Did I achieve my goal? What did it cost? In a business sense, "controlling" involves measuring the progress and performance of all aspects of a business operation. In this case Paul utilized controlling to determine if the new approach to increasing sales was actually profitable. Paul Wright was able to achieve greater profits for his business by utilizing the four point management process.

TIME MANAGEMENT PRACTICES



Paul Wright achieved his objective with the aid of a plan. Careful planning will usually result in better use of both time and resources. In short, planning will help you get organized. In this regard it is an important management practice. No matter how busy you become, take time out to do both short and long range planning.

Paul realized that the achievement of goals was dependent upon the activities he and his employees performed each day. Therefore, Paul set aside 20 minutes each morning to plan his day's activities. Employees were encouraged to do the same. To simplify matters, Paul designed the form illustrated below. He distributed pads of this form to all employees with the following directions:



1. Organize your work properly. Write down on paper the things you need to do during the day. Think about what you can accomplish.

2. Establish priorities. Some activities are more important than others. During the day, which activities should receive attention first? You may want to rank these activities from most important to least important. As the day unfolds, give attention to the most important duties first.

Putting your thoughts down on paper forces you to clarify your thinking. Get in the habit of developing a daily plan. Don't just let things happen--make things happen.

NOTE: Please turn to page 5 and complete learning activity number one.

LEARNING ACTIVITY NUMBER ONE

This learning activity is designed to help you manage your time better. Some small business owner-managers spend too much time on some activities and too little on others.

STEP ONE: Examine the activities listed below and indicate the number of hours you devote to each category during a typical week.

	HOURS PER WEEK
Training Employees Teaching employees how to do the job right. Training should be a continuous process. Also, keep them informed.	_____
Building Customer Loyalty Getting to know your customers better. Spend time with customers in order to better understand their wants and needs.	_____
Planning Sales Promotion Activities Planning and implementing special promotions, merchandise displays, and advertisements.	_____
Analyzing Business Records Reviewing all business records to determine business strengths and weaknesses.	_____
Assessing Competition Studying your competition. Check merchandise assortment, prices, etc.	_____
Planning Spend some time every week on short and long range planning.	_____
Cleaning, Dusting, and Performing Routine Maintenance Keeping your business looking neat and clean.	_____

STEP TWO: Take a close look at how you are spending your time. Are you neglecting any important activities which might contribute to the profitable operation of your business?

NOTE: Please turn to page 6 and complete learning activity number two.

LEARNING ACTIVITY NUMBER TWO

Introduction: Planning, organizing, directing, and controlling make up the management process. This learning activity is designed to enable you to practice utilizing the four basic elements.

Instructions: Your overall objective is to increase (1) total sales volume for your business or (2) the sales volume of a specific product or serice line or (3) the sales volume of a specific product or service.

1. State your goal.

2. Fashion a plan to achieve your goal.

3. State the role of your employees in fulfilling this plan.

4. State how you plan to evaluate your progress.

NOTE: Please turn to page 7 and review the preferred reading list.

SCRIPT

IMPROVING PROFITS THROUGH EFFECTIVE MANAGEMENT

INTRODUCTION:

In a very real sense, the owner-manager of a small firm determines the success or failure of the business. However, entrepreneurs are frequently so busy that they are unable to devote sufficient time to each business related activity. Successful entrepreneurs have found that the key to profitable management is a four-part process--planning, organizing, directing, and controlling. Let's drop in on Sue Perez, owner of a yarn shop, and Frank Walker, owner of a shoe store, as they discuss management of a business operation.

BACKGROUND--RESTAURANT--SOME VOICES IN BACKGROUND.

(SUE, FRANK, SPEAKING IN A RELAXED CASUAL MANNER)

Sue: Isn't this weather lovely, Frank?

Frank: It sure is. It makes me want to get out the golf clubs. I guess it's this time of year that I sometimes wish I could spend more time away from the business.

Sue: I know what you mean. Owning your own business is time consuming. Right now I just wish I had time to take care of all my business matters. I don't really have the time to think about recreation.

Frank: Your problems are compounded Sue, by the fact that your business is still new. I can recall when I opened my business 10 years ago--I was in the same predicament. It seemed as if my entire day was devoted to business matters, and then I found I still didn't accomplish the things I needed to.

Sue: How did you finally resolve your problem?

Frank: In the beginning I relied heavily on trial and error. I just didn't have a systematic way of doing things. As a result, I ended up working many 18 hour days. My family life really suffered. Then a fellow retailer talked me into taking a management seminar. The instructor was terrific and I picked up some real good tips on how to be an effective manager.

Sue: What did the instructor recommend?

Frank: I learned that management is a four-part process--It involves (1) planning--setting goals; (2) organizing-- assigning people and resources so that activities are carried out; (3) directing--leading employees in such a way that goals are achieved; and (4) controlling--evaluating how successful my business has been, and taking action to correct or modify it.

Sue: That definition of management sounds awfully theoretical. Can a small business owner benefit from that approach?

Frank: I think so. Your yarn shop is somewhat different than my shoe store, but as a business manager, you have the same responsibilities that I do. Let's look at planning first. Each day I set aside 20-30 minutes to reflect on what needs to be done that day. It helps me to collect my thoughts, to get things organized.

Sue: Do you make a list of things to do?

Frank: Yes. I think it is very important to write things down on a piece of paper. In addition, you should rank these items in terms of importance. Decide what needs to be done first, second, etc. You may not complete every item on the list, but at least you will give attention to the most important items.

Sue: Do you make a list of things to do?

Frank: Yes. I think it is very important to write things down on a piece of paper. In addition, you should rank these items in terms of importance. Decide what needs to be done first, second, etc. You may not complete every item on the list, but at least you will give attention to the most important items.

Sue: You said earlier that planning relates to goal setting.

Frank: Yes. Much of my own planning focuses on increasing sales. For instance, I'll set a goal of increasing sales by 10% for a certain period of time. Once the goal is set, I then try to organize my resources so that I can achieve the goal. By the way, don't forget to involve other employees in the planning process. They need to feel like part of the team.

Sue: Planning helps you to get organized, right?

Frank: Yes, getting organized is an important part of the management process. When I first started my business I found I was spending too much time on very routine matters and not enough time on the important aspects of my work. For example, I wasn't spending very much time on employee development. Employees just learned by trial and error. I finally realized that employee development was necessary on a continuous basis. I started giving more attention to employee training.

Sue: Where does control fit into the management process.

Frank: Control means you are taking steps to regulate various aspects of your business. For example, you are exercising control when you keep a record of operating expenses. If certain expenses get out of line, you become aware of the problem and take steps to control it.

Sue: Frank, I feel like I have a better understanding of what management is all about. Thanks for sharing this information with me.

Frank: You are very welcome, Sue.

CONCLUSION:

Successful business owner-managers have found that planning, organizing, directing, and controlling are essential elements of the management process. In addition, to insure that important business activities are not neglected, a plan which prioritizes activities has proven to be quite valuable. Devoting the proper amount of time to each business activity can help to improve the operation of your business. Now let's proceed to page 2 of the written materials and learn more about the process of management.

PREFERRED READING LIST

This instructional module is designed to introduce key concepts regarding ways to effectively apply planning and organizing skills in the operation of your business. For a more in-depth examination of this topic area, study the following preferred readings.

SMALL BUSINESS ADMINISTRATION SMALL MARKETERS AIDS

#179 "Breaking the Barriers to Small Business Planning"

SMALL BUSINESS ADMINISTRATION MANAGEMENT AIDS

#191 "Delegating Work and Responsibility"

NOTE: You have now completed the module requirements. You may wish to review this module or advance to another module.

SMALL BUSINESS ADMINISTRATION
U. S. Government Agency

MANAGEMENT AIDS No. 179

for small manufacturers

Washington, D.C. Reprinted September 1976 First printed September 1965

BREAKING THE BARRIERS TO SMALL BUSINESS PLANNING

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SUMMARY

Most small manufacturers do not use long-range planning even though they could gain much from it. Planning can, for example, help owner-managers to provide lead time for necessary actions and to use resources effectively. With such benefits in the offing, why do small business owners neglect this management tool?

In many instances, certain barriers get between owner-managers and long-range planning. Some do not plan because of fear of the future or because of the inexactness of the future. Others fail to think systematically about where their companies may be 2 or 3 years hence because of the lack of proper time and place for planning or because of the lack of planning knowledge.

This Aid dicusses these barriers to small business planning and offers suggestions for overcoming them.

Many small business owners feel that they are doing enough planning when they use short-run sales forecasts, expense budgets, and other short-range planning tools. They shrug off the idea of long-range planning by saying, "That's for big companies."

Such owner-managers couldn't be more mistaken. Because of the rapid rate of change in today's world, present production methods may be totally inadequate next year or the year after next. Or present products may be dead or dying a few years from now.

In either case, which small company will have the best chance of survival --the one whose owner-manager neglects planning because he is busy with today's crises? Or the one whose owner-manager tries to plan ahead?

Small companies need to plan as thoroughly if not more thoroughly than large ones. Few small firms have enough resources to overcome their future problems with aggressive financial force. Few can afford to underwrite the loss that can occur while adjusting to an unexpected change when they depend on a single product or on a few key customers.

Essentially, long-range planning is the process of systematically and consciously thinking about the future of an enterprise as an integrated whole. It, therefore, is a vital tool for competing effectively and for trying to reduce future crises.

BENEFITS FROM LONG-RANGE PLANNING

When an owner-manager systematically thinks about the future of his company, he stands to gain certain benefits. The planning process helps him: to provide lead time for necessary actions; to make decisions where there are long-term effects; to use resources efficiently; and to improve current operations.

- Lead Time. Doing things in business takes time. The owner-manager must anticipate not only the changes that his business will need but also the time required to make these changes.

For example, if you expect that one of your products will become obsolete, you probably couldn't think of trying to develop a new product, produce it, and market it in only 30 days' time. You know that a development project for a new product may take 1 or 2 years, or longer. Therefore, you start early--while the product destined for obsolescence is still marketable--to develop its replacement.

Other examples of business activity that require lead time are: building a new plant; beefing up a sales force; and putting together a promotional program. With specific plans for such activities, you can see what actions will be needed and provide the lead time for getting them done on schedule.

- Long-Term Effects. Planning helps make decisions where there are long-term effects. Many management decisions involve investments, that is, expenditures of time, effort, or money in the present in order to achieve benefits over a number of years in the future. As automation and mechanization increase, the number of investment decisions is also increasing. If money is to be spent on a machine that will last for 5 years, it is vital to think about the 5-year future of your business to be

sure the purchase is really justified. Mistakes in investment policy are costly and difficult to rectify.

• Efficient Use of Resources. Planning can help you provide for the efficient use of your company's resources--an especially vital area when they are scarce. When money, personnel, or facilities are limited, you have to be careful in using them.

You have to make choices as to what will be done as well as to when it will be done. You have to consider alternatives and weigh their impact on the prosperity of your whole company. Planning is necessary if the best choices are to be made.

When you look at long-range planning as a matter of choices, it is an extension of an ordinary activity, such as scheduling a day's production. There you have to decide which orders should be first. Similarly, in planning for next year, the year after next, and so on, you have to decide what activities are most important. Then you have to schedule these activities in a way that produces the best possible results per dollar of expense.

• Improved Operations. Another benefit which you may get from planning is improved current operations. Because planning often involves making periodic evaluations of the company as a whole, it can show up areas which need improvement.

For example, you might discover that your salesmen spend too much time selling the product with the lowest profit margin. Or you might find that a slight cut in your cost of raw materials could increase profits more than the increase which could be made by hiring another salesman.

BARRIERS BLOCK PLANNING

Even though they are aware of the advantages of long-range planning, many small business owners fail to do it. In fact, most small companies do little, if any, long-range planning.

Why do most owner-managers neglect trying to look ahead--in an orderly and detailed fashion--for at least 2 years? Life being what it is, certain barriers tend to discourage them from planning.

Among these barriers which block attempts at long-range planning are: fear, inexactness, changeability, lack of proper time and place, and lack of planning knowledge.

OVERCOMING THE BARRIERS

Recognizing that such barriers exist is an important step in overcoming them and moving along toward some long-range planning. Keep in mind also that only one of the five barriers may by itself be enough to impede planning in a small company. For example, the barrier which blocks one owner's planning efforts may be the i n e x a c t n e s s-of-2-years-from-now while-fear-of-the-future is the barrier which bothers another.

• Fear. Even though most people don't talk about it, fear is a barrier to many kinds of activity. It is especially a roadblock to planning, and it may be the biggest hurdle for most owner-managers.

Fear, for example, causes some owner-managers to feel that careful thought about the future of their companies will bring to light a host of trouble. "I've got enough worries without trying to cross bridges ahead of time," is a normal reaction.

Somehow it seems easier to live with vague apprehensions about a fuzzy future than it does with reasoned expectations. When the owner-manager has no clear description of the problems and opportunities, he tends to feel that his company can get by with token measures.

Yet such token solutions are often just "whistling in the dark." They remind one of the story of the executive who snapped his fingers as he paced up and down outside his plant. Asked what he was doing, he replied, "I'm keeping away the lions."

"But there are no lions around here," an observer said.

The executive nodded, smiled, and proclaimed, "Then it looks as though I'm doing a good job, doesn't it?"

A ridiculous story, perhaps, but it does show what can happen when a person doesn't recognize fear for what it is. Fear is a natural reaction. Realizing this fact is important in overcoming fear as a barrier to planning. The events, the problems, and the opportunities of the future cannot be taken care of with a snap of the fingers. They have to be faced. And the real fear which the owner-manager should have is that of facing the future without a plan--without a set of alternatives to choose from when a possible event occurs.

• Inexactness. Another barrier to the planning process is inexactness. One small business owner sums up this barrier by saying, "Planning is so inexact that it doesn't seem worth doing. No matter how carefully I plan, things often do not work out according to the plan."

And what he says is true--to an extent. Planning is an uncertain thing because, among other reasons, the future is uncertain.

However, the important fact is to realize that business operates in a world where certainty is impossible but where probability is sufficient to govern action. Essentially businessmen are bettors trying to find out the best way to play the odds. The job is to make the best possible decision before a series of uncertain events, not after.

One way of illustrating long-range planning is to look at a die which carries the numbers "1 through 6." When you roll this die, the probability of any one number--for example, 4--coming up is only 1 out of 6.

Now suppose that you find a special die. Upon scrutinizing this die you find that the number "4" is on 5 of its sides and the number "2" is on the sixth side. When you roll this die, the probability is that the "4" will come up 5 times out of 6. However, you are not surprised if the number "2" comes up instead of a "4." In the long run, it is bound to happen 1 out of 6 times.

The important thing in this example is taking time to learn the odds--to determine what is likely to happen. And so it is in business. The problem is getting some idea of the odds. For example, what are the odds that more customers will need your type of product 2 years from now? Ten years from now?

You formulate that idea by planning--by developing a description of what will probably happen. Then you plan what you want to happen within the framework of those odds. If your plans do not materialize, does that necessarily mean you should not have made them? Does it mean you should not have taken the time to examine your company and its environment in order to discover how best to bet on its future?

• Changeability. Often small businessmen complain that plans and goals change too frequently to make planning worthwhile. "I no sooner make a plan than something happens, and I have to modify it. Or I have to make a completely new plan."

Of course, this can be a serious problem. However, the solution lies in the frequency and flexibility with which you plan, rather than in the rejection of planning altogether.

If the situation changes rapidly in your company, review your long-range plans periodically--and alter your original project to the changing situations. Perhaps you should not try to plan 5 years ahead but only 1 or 2 years in the future.

However, in most small businesses, the time scale of events demands that you look ahead at least a year or two. Rare is the industry where some significant change does not occur within a period of 1 or 2 years. It is also hard to find the company in which certain necessary projects do not require a year or more to be completed.

Part of overcoming the barrier of changeability lies in flexibility. Make flexible plans. Do not plan for one narrow set of possibilities. Rather, consider how you might alter plans if a change materializes. For example, in thinking about building a new plant you should consider: (1) What would I do if the demand for my product turns out to be substantially less than I expected? (2) What would I do if the demand turns out to be much greater than I had predicted?

• Lack of Time and Place. Many small business owners say that the lack of proper time and place is an obstacle to planning. Quite often, however, this statement is just a way of avoiding a task which they do not really want to do.

Then, too, it is easy to let planning slide when you are busy. Many owner-managers do not plan because they feel that they cannot be spared from daily operations--from the day-to-day crises. They tend to forget that their plants and salesforces operate successfully when they are out sick for several days.

Like many other vital aspects of management, the owner-manager has to make a conscious effort to find the time and place for planning. In the normal run of affairs, the time for planning just will not turn up by itself.

Special conditions are needed for planning. You also need some peace and quite--some protection from continual interruptions.

Some owner-managers create an environment for their planning by doing it in the evening at the office or on Saturday. The president of one small company rents an office at the other end of town and uses it to get away from the daily crises of the plant.

Setting a schedule for planning is another way to help get it done. For example, you might decide to spend 1 hour every Wednesday evening on planning. Or you might set aside every other Saturday morning for thinking about your company's future.

• Lack of Knowledge. Lack of planning knowledge can be a most serious barrier to planning. Even when the owner-manager has a proper time and place, he must have some idea of how to go about planning in order to do it effectively.

One common approach to planning contains three steps: (1) set goals and objectives, (2) develop plans to achieve the goals, and (3) assess progress towards the objectives. Yet this approach is often confusing to the owner-manager who has never tried to plan.

Essentially, the important thing about planning in small business is getting started.

GETTING STARTED

If you've never planned, start by getting a complete picture of your operations. You may know some of the details individually, but the chances are you need more information to get the complete picture.

• Five Written Statements. Here's the type of information you need to stimulate your planning thought.

(1) A brief description of your company's present practices in all important areas such as products, purchasing, storage, quality control, labor relations, training, sales outlets, advertising, and research and development.

(2) A brief description of your present management procedures, reports, and organization (including informal job descriptions along with an organization chart).

(3) A list of the main factors exterior to your firm which affect your company the most. Areas to be considered include government, the

national economy, your competition, the community in which you do business, scientific advances, and overseas markets.

(4) A list of the changes you expect in any of these factors in the next few years.

(5) A list of the main strengths and weaknesses of your present operation (based on items 1 through 4).

It is essential that you write down your thinking because (1) getting something on paper is at the heart of any formalized kind of planning, (2) writing things down clarifies your own thought. Written plans are also helpful in conveying your ideas to others who will play a part in implementing them.

You probably noticed that several of the five items above refer to your business as it now exists. Planning for the future starts with the present. You have to have a clear idea of where you are before you can think about where you want to go. Only then can you select a few specific goals to work toward.

● The Right Frame of Mind. In trying to get started, remember that the right frame of mind is important. Most of the barriers to planning stem from one basic situation: Planning represents a vastly different type of activity and approach from the one you use in the day-to-day management of your company. Because long-range planning is so different from dealing with daily brush fires, the owner-manager needs to make a conscious effort to plan on a formal basis. Otherwise proper planning will not get done.

The owner-manager's attitude is important. It can make or break planning. In order to plan effectively, your attitude should be one that is unafraid of discovering what the present state of your business really is. It should also be one that is not afraid of trying to learn what the future might bring.

Such an attitude can help you to clarify problems and plot solutions. And once you have developed possible solutions, following through on your plans is largely a matter of management--of doing what is needed at the proper time. Keep in mind that a very important part of making plans work is reviewing periodically performance against plans.

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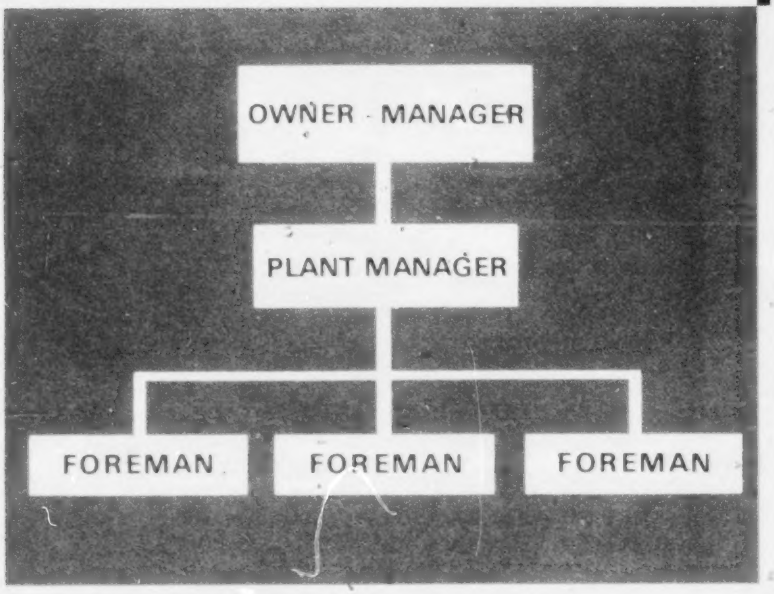
MA
SMALL BUSINESS ADMINISTRATION
MANAGEMENT AIDS No. 191
for small manufacturers
WASHINGTON D.C.

delegating work and responsibility



SUMMARY

Delegating work, responsibility, and authority is difficult in a small plant because it means letting others make decisions which involve spending the owner-manager's money. At a minimum, he should delegate enough authority to get the work done, to allow assistants to take initiative, and to keep the operation moving in his absence.

The *Aid* discusses controlling those who carry responsibility and authority and coaching them in self-improvement. It emphasizes the importance of allowing competent assistants to perform in their own style rather than insisting that things be done exactly as the owner-manager would personally do them.

The author, of this *Aid,* Mr. Stanley Wantola, is an industrial specialist, in the New York Area Office of SBA.

"LET others take care of the details."

That, in a few words, is the meaning of delegating work and responsibility.

In theory, the same principles for getting work done through other people apply whether you have 25 employees and one top assistant or 150 to 200 employees and several keymen. Yet, putting the principles into practice is often difficult.

Delegation is perhaps the hardest job owner-managers have to learn. Some never do. They insist on handling many details and work themselves into early graves. Others pay lip service to the idea but actually run a one-man shop. They give their assistants many responsibilities but little or no authority.

HOW MUCH AUTHORITY?

Authority is the fuel that makes the machine go when you delegate work and responsibility. It poses a question: To what extent do you allow another person to make decisions which involve spending your company's money?

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That question is not easy to answer. Sometimes, an owner-manager has to work it out as he goes along, as did Tom Brasser.* His pride in being the top man made it hard for him to share his authority. He tried, but he found to his dismay that his delegating was not as good as he thought.

One day when he returned from his first short business trip, Mr. Brasser stormed out of his office. He waved a sheaf of payroll sheets and shouted, "Who approved all this overtime while I was away?"

"I did," the production chief answered.

Realizing that all heads were turned to see what the shouting was about, Mr. Brasser lowered his voice. Taking the production manager with him, he stepped back into his office.

There he told the production man, "You've got your nerve authorizing overtime. This is still my company, and I'll decide

* All names are disguised in *Aids.*

what extra costs we'll take on. You know good and well that our prices are not based on paying overtime rates."

"Right," the production man replied. "But you told me I was in full charge of production. You said I should keep pushing so I wouldn't fall behind on deliveries."

"That's right," Mr. Brasser said. "In fact, I recall riding you about a couple of orders just before I went out of town."

"You can say that again. And one of them—the big order—was getting behind so I approved overtime for it."

"I would have done the same thing if I had been here," Mr. Brasser said. "But let's get things straight for the future. From now on, overtime needs my okay. We've got to keep costs in line."

Mr. Brasser then followed up with his other department heads, including his office manager and purchasing agent. He called them in, told them what had happened, and made it clear that their authority did not include making decisions that would increase the company's operating costs. Such decisions had to have his approval, he pointed out, because it was his company. He was the one who would lose, if and when, increased costs ate up profits.

Yet if an owner-manager is to run a successful company, he must delegate authority properly. How much authority is proper depends on your situation.

At a minimum, you should delegate enough authority:

(1) To get the work done.
(2) To allow key men to take initiative.
(3) To keep things going in your absence.

TO WHOM DO YOU DELEGATE?

Delegation of responsibility does not mean that you say to your assistants, "Here boys, you run the shop." The men to whom you delegate responsibility and authority must be competent in the technical areas for which you hold them accountable. However, technical competence is not enough.

In addition, the person who fills a key management spot in the organization must either be a manager or be capable of becoming one. A manager's chief job is to plan, direct, and coordinate the work of others.

He should possess the three "I's"—initiative, interest, and imagination. The manager of a department must have enough self-drive to start and keep things moving. He should not have to be told, for example, to make sure that his employees start work on time.

Personality traits must be considered. A keyman should be strong-willed enough to overcome opposition when necessary. He should also have enough ego to want to "look good" but not so much that it antagonizes other employees.

SPELL OUT THE DELEGATION

Competent people want to know for what they are being held responsible. The experience of Charles P. Wiley illustrates how one

owner-manager let them know. He started by setting up an organization. He broke his small company into three departments: a production department, a sales department, and an administrative department.

The man who handled production was responsible for manufacturing, packing, and shipping. The sales manager was responsible for advertising, customer solicitations, and customer service. Mr. Wiley regarded the administrative department as the headquarters and service unit for the other two. Its manager was responsible for personnel, purchasing, and accounting.

Mr. Wiley also worked out with his assistants the practices and procedures necessary to getting the jobs done. His assistants were especially helpful in pointing out any overlaps or gaps in assigned responsibilities. He then put the procedures in writing. Thus each supervisor had a detailed statement of the function of his department and the extent of his authority.

This statement included a list of the specific actions which they could take on their own initiative and a list of actions which required approval in the front office—Mr. Wiley, or in his absence, the assistant general manager.

Mr. Wiley had thought about the times when he might be absent from the plant. To make sure that things would keep moving, the production manager was designated assistant general manager and given authority to make all operational decisions in Mr. Wiley's absence.

In thinking about absences, Mr. Wiley went one step further. He instructed each department head to designate and train an assistant who could run the department if, and when, the need arose.

When you spell out the delegation, be sure that departments are coordinated. The experience of another small plant owner, John Chiefson, is a case in point. He thought his departments were coordinated until the shop manager reported that he was swamped with "rush" orders.

"It's impossible for me to make good on Bill's promises," the shop chief said. Bill was the sales manager.

When Bill was called in, he said, "I had to promise early delivery to get the business."

Mr. Chiefson resolved the problem by instructing the sales manager and the shop manager to work out delivery dates together.

Make sure that departments are coordinated when you spell out the responsibilities and authority of each keyman. Thus you reduce the chances of confusion as well as insuring that there is no doubt as to who is responsible for specific jobs. Then, the particular keyman can take corrective action in his area of responsibility before things get out of hand.

KEEPING CONTROL

When you manage through others, it is essential that you keep control. You do it by holding a subordinate responsible for his actions and checking the results of those actions.

In controlling your assistants, try to strike a balance. You should not get into a keyman's operation so closely that you are "in his hair" nor should you be so far removed that you lose control of things.

You need feedback to keep yourself informed. Reports provide a way to get the right kind of feedback at the right time. They can be daily, weekly, or monthly, depending on how soon you need the information. Each department head can report his progress, or the lack of it, in the unit of production that is appropriate for his activity; for example, items packed in the shipping room, sales per territory, hours of work per employee.

Periodic staff meetings are another way to get feedback. At these meetings, department heads can comment on their activities, accomplishments, and problems.

COACHING YOUR STAFF

For the owner-manager, delegation does not end with good control. It involves coaching as well, because management ability is not acquired automatically. You have to teach it.

Just as important, you have to keep your managers informed just as you would be if you were doing their jobs. Part of your job is to see that they get the facts they need for making their decisions.

You should be certain that you convey your thinking when you coach your assistants. Sometimes words can be inconsistent with thoughts. Ask questions to make sure that the listener understands your meaning. In other words, delegation can only be effective when you have good communications.

And above all, listen. Many owner-managers get so involved in what they are saying or are going to say next, that they do not listen to the other person. In coaching a person so he can improve his ability, it is important to tell why you give the instructions. When a person knows the reason, he is better able to supervise the employees who work for him.

ALLOW STAFF TO WORK

Sometimes an owner-manager finds himself involved in many operational details even though he does everything that is necessary for delegating responsibility. In spite of defining authority, delegating to competent persons, spelling out the delegation, keeping control, and coaching, he is still burdened with detailed work. Why?

Usually, he has failed to do one vital thing.

He has refused to stand back and let the wheels turn.

If the owner-manager is to make delegation work, he must allow his men freedom to do things their way. He and the company are in trouble if he tries to measure his assistants by whether they do a particular task exactly as he would do it. They should be judged by their results—not their methods.

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No two persons react exactly the same in every situation. Be prepared to see some action taken differently from the way in which you would do it even though your policies are well defined. Of course, if an assistant strays too far from policy, you need to bring him back in line. You cannot afford his second-guessing.

You should also keep in mind that when an owner-manager second-guesses his assistants, he risks destroying their self-confidence. If the assistant does not run his department to your satisfaction and if his shortcomings cannot be overcome, then replace him. But when results prove his effectiveness, it is good practice to avoid picking at each move he makes.

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